

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-598

September 28, 1999

UNION RIVER TELEPHONE COMPANY
Application for Approval of Issuance
of Securities (§902, §1101) (\$500,000) and
Mortgage of Utility Property

ORDER APPROVING
ISSUE OF SECURITIES
AND MORTGAGE OF
PROPERTY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

On August 26, 1999, Union River Telephone Company (URTC or the Company) filed its application with the Commission requesting authority to enter into a Revolving Credit Agreement with the Union Trust Company (Ellsworth, Maine) in the amount of \$500,000 for a term of 8 years. URTC requires Commission approval under 35-A M.R.S.A. §901 and §902 to issue securities and also under §1101 to mortgage utility property as required by the lender. This Order approves the Company's request.

Union Trust Company has agreed to extend the Company a Revolving Commercial Line of Credit with a maximum limit of \$500,000 for a term not to exceed 8 years at a variable interest rate equal to the "Wall Street Journal" Prime Rate (currently 8.25%) plus 0.5%. URTC may draw down and repay funds at its option paying interest monthly on its average outstanding balance. All principal amounts must be paid in full at the end of the 8-year term. URTC will essentially pledge all corporate assets as security subject to the provision that this credit facility will be subordinated to pre-existing RUS and RTB mortgage notes.

URTC intends to utilize this credit facility for ordinary working capital purposes and to fund construction on an interim or emergency basis. The Company cites examples such as the ice storm of 1998 and the on-going reconstruction of state highways where movement or replacement of its physical facilities must be completed quickly or on short notice. A credit facility, such as the one proposed, offers the URTC financial flexibility that it would not otherwise have. Ordinarily, we would find undesirable a situation where a utility is subject to a variable interest rate without a maximum rate cap. However, in this case several mitigating factors allow us to look favorably on the Company's request. First, even if we assume that the maximum amount available under the agreement is used by URTC, it would not have an extremely significant impact on URTC's income statement or balance sheet. Second, variable interest rates based on the Prime Rate are customary and reasonable for these type of credit facilities. Finally, the Company has cash and investments in marketable securities available for use in the event that interest rates were to increase dramatically in the future.

Having reviewed the application of the Company, together with data filed in support of it, it is the opinion of the Commission that the proceeds from the Revolving Credit Agreement are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to §902(4), the Commission does not imply approval of the Company's capital needs or capitalization ratio for ratemaking purposes, nor does this order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we:

O R D E R

1. That Union River Telephone Company (URTC or the Company) is hereby authorized to enter into a Revolving Credit Agreement with the Union Trust Company in the amount of \$500,000 to be used for corporate purposes described herein, for a term not to exceed 8 years, at a variable interest rate not to exceed 0.5% over the "Wall Street Journal" Prime Rate (currently 8.25%).
2. That URTC may mortgage utility property as required by the lender in order to provide collateral for the credit facility described in Paragraph 1 above.
3. That URTC report to the Commission, in writing, its doings pursuant to this order within sixty (60) days of the closing date of the transaction or December 15, 1999, whichever date may come first.
4. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 28th day of September, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Diamond

COMMISSIONER ABSENT: Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.